

Message Text

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ACTION AF-06

INFO OCT-01 EUR-12 ISO-00 EB-07 AID-05 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 RSC-01 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-01 CEA-01 L-02 INT-05 FEAE-00 PRS-01 PA-01 USIA-06

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R 271528Z JAN 75

FM AMEMBASSY KINSHASA

TO SECSTATE WASHDC 1063

INFO AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

C O N F I D E N T I A L KINSHASA 0770

E.O. 11652: GDS

TAGS: CG, EFIN

SUBJECT: MORE ON FINANCIAL PROBLEMS

REF: KINSHASA 691

1. SUPPORTIVE OF TEMPLESMAN REPORT REFTTEL CONCERNING GOZ'S DESPERATE FOREIGN EXCHANGE POSITION, ECON COUNSELOR WAS TOLD OVER WEEKEND BY HIGH GOZ OFFICIAL WHO SHOULD KNOW THAT ZAIRE HAS SOLD ALL OF ITS GOLD-- AND HAS ALREADY SPENT PROCEEDS. IF TRUE, ZAIRE IS NOW LIVING ON CURRENT REVENUE FROM EXPORTS, AROUND Z50 MILLION PER MONTH, AND WILL HAVE TO RESTRICT EXTERNAL PAYMENTS TO LEVELS OF 1973. AS OF OCT, 1974 SUCH PAYMENTS WERE RUNNING AT 45 PERCENT ABOVE 1973 LEVEL, AND NOV-DEC PAYMENTS, WE BELIEVE, WERE EVEN HIGHER.

2. SAME SOURCE ASSERTS THAT ONLY BALANCE OF PAYMENTS LOAN FORTHCOMING AFTER EXTENSIVE GOZ EFFORTS WAS
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\$50 MILLION FROM ABU DHABI, WHICH WILL NOT BEGIN TO BE

DRAWN UPON UNTIL MARCH. OTHER ARABS REFUSED TO PLAY.
IT WOULD INDEED SEEM THAT PAYMENTS INCLUDING DEBT
SERVICING, TRANSFERS AND IMPORTS WILL BE UNDER
SEVERE PRESSURE IN NEXT MONTHS, BARRING DRAMATIC RISE
IN COPPER PRICE.

3. ONE INDICATION OF HOW GOZ INTENDS TO COPE WAS
SHOWN OVER WEEKEND AT MEETING OF DEPOSIT BANKS CALLED
BY CENTRAL BANK GOVERNOR. WE HEAR CENTRAL BANK LAID
DOWN RULE THAT HENCEFORTH MEMBER BANKS COULD NO LONGER
HOLD FAIRLY LARGE BALANCES ABROAD, BUT RATHER ONLY
10 PERCENT OF AMOUNT INVOLVED IN SIGHT LETTERS OF CREDIT
TRANSACTIONS. (BANKS HAD HELD SUBSTANTIALLY MORE (AROUND
\$25 MILLION) THAN REQUIRED FOR CURRENT TRANSACTIONS IN TIME
DEPOSITS ABROAD. EXCESS FX OVER 10 PERCENT OF CURRENT TRANSACTIONS
MUST BE SOLD TO CENTRAL BANK, AND MEMBER BANKS HAVE BEEN TOLD
THAT IT IS THEIR RESPONSIBILITY TO ASSURE THAT ONLY "ESSENTIAL"
IMPORT TRANSACTIONS ARE ALLOWED.

4. BANKS WILL BE GOING BACK TO GOZ TO POINT OUT THEIR
RELUCTANCE TO DECIDE BETWEEN ESSENTIAL AND NON-ESSENTIAL
IMPORTS AND TO ASK FOR FURTHER CLARIFICATION OF NEW
SYSTEM IN GENERAL. WHATEVER CLARIFICATION THEY
RECEIVE, HOWEVER, IT SEEMS CLEAR THAT FOR MEMBER BANKS
TO OPERATE IN SUCH A DAY-TO-DAY SYSTEM ASSUMES THAT
CENTRAL BANK WILL BE IN POSITION TO MAKE FOREIGN
EXCHANGE AVAILABLE ON DEMAND. OTHERWISE, BANKS WILL
SOON BE WORKING ON OVERDRAFTS, AND THAT WON'T LAST LONG.

5. FOR LONDON AND BRUSSELS: IT IS IMPORTANT THAT WE
VERIFY, IF POSSIBLE, REPORTED GOLD SALE. BELGIAN
EMBASSY SOURCE SAYS THAT SALE OCCURRED ON 20 DEC
"THROUGH BANK OF ENGLAND." WE HAVE ALSO HEARD THAT GOZ MISSED
THE DECEMBER COMPENSATION PAYMENT OF \$25 MILLION TO UNION
MINIERE. CAN YOU CONFIRM?
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